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EMBARGOED FOR RELEASE  
UNTIL 12:00 NOON (EST)  
MONDAY, February 23, 1976

February 23, 1976

Office of the White House Press Secretary

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THE WHITE HOUSE

FACT SHEET

FINANCIAL ASSISTANCE FOR COMMUNITY SERVICES ACT

The President announced that he is today proposing the Financial Assistance for Community Services Act which will provide States with greater flexibility in delivering social services to low-income families and individuals and will eliminate undue Federal regulation and restrictions on providers.

BACKGROUND

The present social services program, Title XX of the Social Security Act, provides grants to the States on the basis of population for the delivery of a wide range of social services to individuals and families. These services include day care, family planning, foster care and homemaker services. Funds are provided on a Federal/State matching basis (75% Federal/25% State). Since its passage and implementation, Title XX has begun to increase latitude to States to use this program in meeting their service needs. Yet Federal administrative and reporting requirements continue to be extensive.

DESCRIPTION OF PROGRAM

This legislation will consolidate social service programs under Title XX and State and local training activities related to social services.

The main features of the Financial Assistance for Community Services Act are:

I. FUNDS

A total of \$2.5 billion will be distributed each year to the States as a block grant; Federal monies will continue to be allocated on the basis of population.

The requirement of State matching funds will be eliminated.

A hold harmless for State and local training monies is provided, so that no State will receive less than it received in FY 1976 for services and training, as a result of this legislation.

II. RECIPIENTS

Emphasis will be placed on providing services to low-income Americans; 75% of Federal funds will go to individuals with incomes below the poverty line or who receive Aid to Family with Dependent Children, Supplemental Security Income and

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Medicaid. No Federal monies will go to families above 115% of State median income, except for information, referral and protective services.

### III. SERVICE REQUIREMENTS

Most Federal requirements and prohibitions on the use of Federal funds will be eliminated.

The Title XX restrictions against the use of monies for health and institutional services will be eliminated. The restrictions on expenditures for services in prisons and for construction and purchase of land and buildings will be maintained.

Federal child day care standards will not be required but HEW will complete the study of the appropriateness of day care standards and recommend either a model law or standards for adoption by the States. States, however, will be required to have day care standards of their own, and an agency responsible for monitoring them.

Fees will not be mandated, nor will there be any bar to fee charging.

### IV. SOCIAL SERVICES PLANNING

The social service planning process will be improved by strengthening the provisions for public review and comment on the annual State plan.

Administrative plan requirements will be retained, although with reduced Federal monitoring. These requirements include a fair hearing process, protection of information, a merit system of State design, and monitoring by States of their standards for child day care and institutions.

States will be required to assess the implementation of their services plan, to have an independent audit of expenditures, to monitor compliance with procedures in the administrative plan and to report publicly on the results of the assessment and audit.

For non-compliance with administrative plan provisions, a State would be subject to full fund cut-off, or to a penalty of up to 3% of funds, at the Secretary's option.

### V. FEDERAL ROLE

The Federal Government will retain the role of assessing the overall operation of this program and of providing a clearing-house for the dissemination and exchange of information among the States on effective services.

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A List of the Most Typical Title XX Services

Foster Care Services  
 Protective Services for Children  
 Protective Services for Adults  
 Special Services for the Aged  
 Adoption Services  
 Information and Referral Service  
 Health Related Services  
 Child Day Care Services  
 Homemaker and Home Health Aide Services  
 Home Delivered/Congregate Meals  
 Family Planning Services  
 Counseling and Case Management Services  
 Chore Services  
 Transportation Services  
 Employment and Training Service  
 Special Services for Alcoholics and Drug Addicts  
 Special Services for Developmentally Disabled  
 Recreational Services

State Allocation Under the Social Services Block Grant

The following figures are the States' maximum services allotment for FY 1976 and will be substantially the allocation for FY 1977. There is an additional \$24,000,000 to be allocated among about 25 states above their allotment as a hold-harmless for social services training.

<u>State</u>	<u>Allocation</u> (\$ Millions)	<u>State</u>	<u>Allocation</u> (\$ Millions)
Alabama	\$ 42.25	Montana	\$ 8.50
Alaska	4.00	Nebraska	18.25
Arizona	24.50	Nevada	6.50
Arkansas	24.25	New Hampshire	9.50
California	245.50	New Jersey	87.75
Colorado	29.00	New Mexico	13.25
Connecticut	36.75	New York	217.50
Delaware	6.75	North Carolina	62.75
District of Columbia	9.00	North Dakota	7.50
Florida	91.50	Ohio	127.75
Georgia	57.00	Oklahoma	31.75
Hawaii	10.00	Oregon	26.50
Idaho	9.25	Pennsylvania	141.75
Illinois	133.75	Rhode Island	11.50
Indiana	63.25	South Carolina	32.50
Iowa	34.50	South Dakota	8.25
Kansas	27.25	Tennessee	49.25
Kentucky	39.75	Texas	140.50
Louisiana	44.75	Utah	13.75
Maine	12.25	Vermont	5.50
Maryland	48.50	Virginia	57.25
Massachusetts	69.25	Washington	40.75
Michigan	107.75	West Virginia	21.50
Minnesota	46.50	Wisconsin	54.50
Mississippi	27.25	Wyoming	4.25
Missouri	56.75		

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FEBRUARY 23, 1976

Office of the White House Press Secretary

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THE WHITE HOUSE

TO THE CONGRESS OF THE UNITED STATES:

Today the Secretary of the Department of Health, Education and Welfare is transmitting my proposed Financial Assistance for Community Services Act to the Congress.

This proposal is in keeping with my philosophy of reducing unnecessary and burdensome Federal restrictions while increasing State and local flexibility and responsibility in the administration of social programs.

This reform proposal will improve and strengthen the program of social services established under Title XX of the Social Security Act. It will provide a \$2.5 billion block grant annually to the States on a population basis. It will eliminate the requirement for State matching funds, as well as most Federal requirements and prohibitions on the use of Federal funds.

These changes are an important step toward an improved Federal-State relationship in the social services field. Enactment of Title XX in January, 1975, was a beginning. That law eliminated many of the problems of the past by giving States broad authority to allocate resources within a general framework. Rather than making States responsible to the Federal government, accountability for social services was made a matter between each State and its citizens through an open planning process -- a process which has shown great promise.

Title XX, however, did not go far enough. It added new restrictions which interfere with effective delivery of services. Officials at State and local levels of government indicate that they are willing and able to assume greater responsibility to gain greater flexibility in meeting local needs.

The proposed Financial Assistance for Community Services Act will:

- Eliminate the requirement that States must match one State dollar for three Federal dollars.
- Eliminate numerous restrictive conditions on how Federal funds may be used: burdensome Federal requirements for child day care; limitations on social services funding for health and institutional care; and procedures for the imposition of fees and the determination of eligibility.
- Concentrate Federal dollars on people most in need, those under the poverty threshold and those receiving public assistance.
- Assure that no State will receive less money as a result of this legislation than it received in fiscal year 1976.

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- Decrease Federal monitoring and oversight of State plan requirements and expenditures of funds with the States assuming greater responsibility in this area.
- Improve the public planning process by which citizens and local governments participate in identifying needs and establishing priorities.

I ask the Congress to enact this legislation promptly so that States may begin to use Federal and local money more effectively.

GERALD R. FORD

THE WHITE HOUSE,

February 23, 1976.

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EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET

8/30/76

TO: Tom Leoffler

FROM: Assistant to the Director  
for Congressional Relations

FYI.

Attachment

FLOYD V. HICKS, WASH., CHAIRMAN  
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JAMES V. STANTON, OHIO  
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JIM WRIGHT, TEX.

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JOEL Pritchard, WASH.  
ALAN STEELMAN, TEX.

225-6781

NINETY-FOURTH CONGRESS  
**Congress of the United States**

**House of Representatives**  
**MANPOWER AND HOUSING SUBCOMMITTEE**  
OF THE  
**COMMITTEE ON GOVERNMENT OPERATIONS**  
RAYBURN HOUSE OFFICE BUILDING, ROOM B-349-A  
WASHINGTON, D.C. 20515

**TOP PRIORITY**

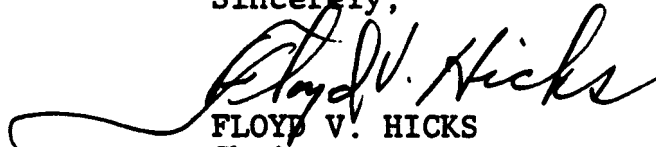
August 25, 1976

James T. Lynn, Director  
Office of Management and  
Budget  
Executive Office Building  
Washington, D.C. 20503

Dear Mr. Lynn:

Enclosed is a copy of a letter I have sent to Director Samuel Martinez of the Community Services Administration concerning a \$1.5 million grant to a community development corporation in Zavala County, Texas. We believe the letter is largely self-explanatory and raises great doubts as to whether this money will be spent wisely. The Subcommittee respectfully requests that you personally review the situation to determine if the Government's interest would not be best served by deferring the funding until further evaluation.

Sincerely,

  
FLOYD V. HICKS  
Chairman

FVH:hlm

Enclosure

CONGRESSIONAL MAIL	
TO: <i>Mr. Derman</i>	
Prepare reply for: <i>Mr. Lynn</i>	
Log No: <i>0161</i>	Due Date: <i>SEP 1976</i>
Copies to: Congressional Relations <i>Mr. O'afaca</i>	



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225-6751

NINETY-FOURTH CONGRESS  
**Congress of the United States**

**House of Representatives**  
MANPOWER AND HOUSING SUBCOMMITTEE  
OF THE  
COMMITTEE ON GOVERNMENT OPERATIONS  
RAYBURN HOUSE OFFICE BUILDING, ROOM B-349-A  
WASHINGTON, D.C. 20515

August 25, 1976

Samuel Martinez, Director  
Community Services Administration  
1200 19th Street, Northwest  
Washington, D.C. 20506

Dear Mr. Martinez:

During the Subcommittee's investigation of the Community Services Administration, we have had occasion to examine several grants proposed or awarded by your organization. I am writing to express my concern about a series of grants to the Zavala County Economic Development Project, a community development corporation (CDC) in Texas. The Subcommittee has discussed these grants with officials of CSA and has examined documents relevant to them over the past several months. I believe that the explanations furnished for certain expenditures are inadequate and that reassurances given us about the ability of CSA to assure that the money is wisely spent were overstated. In addition, some of the key officials connected with these grants are reportedly under criminal investigation and one of them has made statements that raise doubts about his commitment to the purposes of the economic development program.

The Zavala County grants came to our attention in April of this year when the staff expressed concerns about a number of items in approved budgets for a pre-planning and a planning grant to run consecutively from July, 1975 through October, 1976. Several issues were raised in discussions with Louis Ramirez, CSA's Associate Director of Economic Development, and Eduardo Gutierrez, who personally monitors the grantee. This planning grant anticipated extensive travel based on 425 miles per month for each of six staff members. The grantee, however, planned to hire only five professionals, one of whom would work half-time. The grant also projected a \$400 a month telephone bill and budgeted \$5,000 for "fees and/or dues in professional organizations." In response to

these inquiries, Mr. Ramirez explained that the telephone fee of \$400 a month was justified for a "business" and that the \$5,000 fee was to permit Zavala County to join the National Congress for Community Economic Development. He stated that most of the economic development corporations had joined this organization and that their dues were also paid by the Federal Government. We were advised by the National Congress, however, that the dues for a CDC in "planning grant" status, such as Zavala County, are only \$500. Mr. Ramirez explained that errors in the budgets proposed for planning grants were not uncommon, and that they were not particularly worrisome because CSA must approve expenditures and a CDC must pass an audit regularly. Accordingly, we deferred further investigation until we had an opportunity to examine an audit of this corporation.

The audit showed that the corporation had not required \$1,600 for telephone bills during the period, as anticipated by Mr. Ramirez, but instead had spent only \$599. In other cases, however, the initial questionable budget submissions were exceeded during the CDC's period of operations. In a four month period ending October 31, 1975, the Zavala County Corporation spent \$19,647 on consultants. This is \$11,647 more than was included in the budget. The staff was smaller than anticipated, but its projected travel costs, which we had questioned, exceeded the budget by \$1,856 for these four months. The expenditure for "dues and/or fees in professional organizations" calls into question CSA's monitoring of these grants. Rather than joining the National Congress at a cost of \$500, Zavala County used \$3,000 to form Western Agricultural Enterprises, in conjunction with other groups. In essence, the money was not used to join a professional society, but to help form a new one. This organization, which is to study "agricultural marketing strategies," seems to have been formed largely with federal funds. One of its first actions was to apply to the Office of Minority Business Enterprise (OMBE) for an additional grant to further study these "strategies."

When CSA approves budgets that include fees for joining professional organizations, it should assure that this is beneficial. When such money is not used to join an existing organization, but to form a new one which then applies elsewhere in the Federal Government for still more money, we question the legitimacy of the entire process. In this case, the CSA monitoring officer was unaware of how the money was spent until the staff advised him that the expenditure was six times the amount required to join the National Congress for Community Economic Development.



The Zavala County Corporation's spending for consultants is particularly troublesome. We understand that CSA approves such consultant contracts only when they exceed \$5,000 within a twelve month period, which seems to us to represent an insufficient control in view of the errors that CSA officials expect to encounter in these proposed budgets. We are informed that Zavala County had two such consultant contracts that required approval - one for training its board of directors and the other to develop documents. The government paid over \$5,000 to train the Zavala County board despite the fact that the corporation itself said that "volunteer" trainers were to furnish \$7,000 in services for credit in the non-federal matching share. We think it unusual that this corporation could first claim a non-federal contribution in services of \$7,000, which is used to offset federal monies, and then award consultant contracts in excess of \$5,000 for the same training.

We are also concerned about the extensive use of consultant dollars to develop documents. According to CSA officials, the relatively large salaries and travel budget of the staff were justified on the grounds that it would permit the recruitment of highly qualified, experienced people. If these kinds of people were hired, there seems to be little need for an expensive consulting contract to prepare documents. Finally, the avowed purpose of a planning grant is to permit the staff to learn how to operate the corporation. Accordingly, we question the basic decision to contract out these services, since we cannot see how the staff will learn to operate the corporation if such basic requirements are contracted out to consultants.

To further our inquiry into this matter, we request that the Subcommittee be provided with copies of all consultant contracts entered into by the Zavala County CDC. In addition, please furnish us with the procedures used by the Community Services Administration in monitoring consultant contracts to determine whether there are conflicts of interests or other improprieties in these contracts. We would also like to receive a copy of all travel expenditures paid to members of the Zavala County CDC staff and your opinion on whether the \$3,000 expenditure to help establish Western Agricultural Enterprises and its grant application to OMBE is proper.

The past operation of this grant has led to the questions above. The overall handling of the grants raises several challenges to the merits of these awards. Despite this, we understand that within the last month CSA granted Zavala County's request for \$1.5 million for venture capital and

the initiation of operations. The granting of this request, we believe, was unwise. We are informed that the customary prior notice to the Governor's Office was not given, leaving that office with no chance to comment on the grant. As the planning grant runs until October 31 of this year, we see no justification for decisions based on insufficient information and in violation of accepted principles of Federal, state and local cooperation.

When our staff asked CSA how this money was to be invested, we were advised that the main expenditures would be in an "agribusiness, a 100 percent fully owned subsidiary that would employ 350 people." The products and services that this organization would produce have not yet been decided. We were also advised that two "labor intensive ventures" costing \$150,000 to \$175,000 each are planned. We find it alarming that your organization would provide \$1.5 million to this corporation for such vaguely defined purposes and in the face of what has already occurred with the planning grant.

Finally, we understand that the Chairman of the board of the Zavala County CDC, Judge Jose Gutierrez, is one of the targets of an investigation of the city and county government by the State Attorney General's Office. We understand that office has already obtained indictments for corruption against certain officials. Many people on the board of the Zavala County CDC serve in some capacity in the city or county government. We also find Judge Gutierrez's travels to Cuba, and his reported statement that he would like to convert Crystal City (within Zavala County) into "a little Cuba," to be ill advised in the light of the purposes of the Community Development Corporations and his position therein.

This is to request that you review the decision to place \$1.5 million of federal money in the hands of the Zavala County CDC at this time. I am sure that you share our concern that the limited money available to assist the poor be spent as wisely as possible. In this instance, from the facts presently available, there are grave doubts that this is the case.

Sincerely,

FLOYD V. HICKS  
Chairman

FVH:hlm